ISLEFACT

STATE OF THE ISLANDS

FISCAL CHALLENGES

2026 REVIEW

CONTENTS

2. EXECUTIVE SUMMARY

This second Review of 2026 focuses on the increasing financial pressures that island governments are having to cope with in terms of their ability to generate sufficient revenue to meet the ever-increasing cost of public services and capital infrastructure.

It is very clear that there is going to be a widening shortfall between the two unless new sources of income can be found and/or island residents and local businesses are prepared to pay more in direct and indirect taxation. This is becoming more critical due to ageing populations and the escalating costs associated with this trend (e.g. healthcare) and the funds that are required to meet on-island projects such as climate change mitigation and the provision of additional hospital facilities.

Some islands are more fortunate than others in that they have a high profit-generating corporate sector such as financial services and above average pay rates. However, this is not the case in the vast majority of island jurisdictions globally.

REVIEW PROGRAMME

The *State of the Islands* Review Programme is designed to support and stimulate island strategic and operational decision-making and provide clear, evidence-based guidance for policymakers and business leaders.

Each Review features a selected topic, chosen for its significance to island-based organisations and individuals. Island best practice is also highlighted whenever relevant and a broad sample of islands including the three Crown Dependencies will be referenced.

There is a high degree of synergy between the Reviews and the following key island subject areas will form the structure of the Programme schedule over a twelve months' cycle:

- Economic Sector Performance
- Government Finance
- Health & Long-term Care
- Transport Connectivity
- On-island Infrastructure
- External Collaboration
- Labour & Employment
- Climate Change Mitigation
- Education and Skills
- Digital Development
- Security and Law & Order
- Social Care
- Culture & Leisure
- Population & Demography

In addition, periodic Briefing Papers (minimum of two over a twelve months' rolling cycle) covering latest international trends impacting island communities will also be available.

Full details of the Review Programme including how to subscribe to the service can be found at: www.islefact.com/reviews

Located in Guernsey, we have extensive knowledge of and practical experience in how islands operate globally. There are a wide range of island economic and social models adopted and it is essential that data and information are benchmarked accurately. Full details of all our services can be found at: www.islefact.com

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(NB. Every effort has been made to ensure that the contents of this Review are accurate at the time of drafting (May 2026).)